ETHICAL ISSUES IN FAITH-BASED NGOS:
A CROSS-CULTURAL PERSPECTIVE

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Corporate scandals stemming from ethical lapses are a recurring low point in the business world, but as this study will discuss, nonprofit and nongovernmental organizations, especially those that are faith-based, are not immune from such lapses.[1] Nonprofit organizations often face different ethical pressures, particularly when working with charismatic leadership, establishing board responsibilities, and interacting with other cultures. Therefore, it is imperative, especially at the board and management levels, to maintain awareness of the potential for ethical failure and to take steps to reduce the risks.

In the decade following the corporate scandals of 2000 and 2001 (notably Enron and Tyco), most public corporations experienced a renewed interest in business ethics and the necessity for adherence to both legal and ethical principles. However, the same interest was not evidenced in the nonpublic sector. The passage of the Sarbanes-Oxley Act in 2002 called corporate America to task for earlier ethical lapses and instituted a number of reforms that toughened penalties for corporate fraud. In general, corporate response has been to comply with the new standards. Of course, this compliance has been assisted through the establishment of the Public Company Accounting Oversight Board, which is designed to enforce compliance with the Sarbanes-Oxley Act for all publicly listed companies, but does not, at this time, apply to privately held companies such as not-for-profit or nongovernment organizations. Nevertheless, the ethical challenges in such organizations are just as pressing as those in corporate America.

In March 2008, the Ethics Resource Center, an organization which studies the ethical practices of public and private institutions, released their 2007 report, *National Nonprofit Ethics Survey: An Inside View of Nonprofit Sector Ethics*.[2] As the report comments, "ethical standards at the nation's nonprofit organizations are declining, edging closer to disturbing levels already seen in the for-profit and government sectors."[3] Formerly (measurement began in 2000) nonprofit organizations had a higher ethical standing than either for-profit or government organizations. But the 2007 report points out

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[1]The emphasis of this study is on general principles and practices that impact ethical lapses in nonprofit and nongovernmental organizations. Except as specifically noted, there is no intentional or implicit focus on any specific humanitarian, educational, or faith-based organization.

[2]Ethics Resource Center, *National Nonprofit Ethics Survey: An Inside View of Nonprofit Sector Ethics* (2007) (www.ethics.org/files/u5/ERC_s_National_Nonprofit_Ethics_Survey.pdf).

[3]Ibid., 25.

that "integrity in the nonprofit sector is eroding. Misconduct is on the rise—particularly financial fraud."[4] The most recent report from the Ethics Resource Center, the *2011 National Business Ethics Survey*, does not focus specifically on nonprofit organizations. However, it does highlight a drop from 55 percent to 45 percent in the number of employees observing ethical misconduct in the workplace, while also noting an increase in retaliation on whistle-blowers.[5]

In summarizing the 2007 Ethics Resource Center report, a blog on the Ethics for the Real World website, highlighted the following ethical lapses[6]:

> 6% of the 558 respondents observed alteration of documents
> 8% observed alteration of financial records (financial fraud)
> (for business observed acts of financial fraud was 5%; for government, 5%)
> 14% observed lying to customers, vendors, or the public
> 19% observed misreporting of hours
> 21% observed abusive behavior and lying to employees
> 24% observed putting one's own interests ahead of the organization's
> 55% observed one or more acts of misconduct
> (for business observed acts of misconduct is 56%; for government, 57%)

The report also noted that when nonprofit employees saw ethical misconduct, 38 percent of the time they did not report the observed transgression to management. When asked why they stayed silent, 50 percent did not believe corrective action would be taken; 42 percent feared retaliation from management or peers (a drop from 64% in 2005); and 30 percent would have to report to the person involved.[7] Finally, the report pointed out that if an organization created a Code of Conduct, engaged in ethics training, and/or created a hotline for reporting, incidents of misconduct were dramatically decreased.[8]

As noted on the Ethics World website review of these studies, the Ethics Review Committee "attributes this rise in misconduct (in nonprofit organizations) to the inability of governance standards to keep pace with the growing size of nonprofit organizations. . . . The board of directors tend[s] to be more influential in nonprofit organizations than anywhere else, but at the same time, boards are not setting ethical standards for the organization."[9]

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[4]Ibid., vii.

[5]Ethics Resource Center, *2011 National Business Ethics Survey: Workplace Ethics in Transition* (www.ethics.org/nbes/files/FinalNBES-web.pdf), 14-15.

[6]"Nonprofit Ethics—Not Good" (www.ethicsfortherealworld.com, 6 April 2008), accessed 24 June 2008.

[7]Ibid.

[8]Ibid.

[9]Ethics World: Business Ethics, Governance, Anti-Corruption (Ethics and Employees, 2010) (http://www.ethicsworld.org/ethicsandemployees/nbes.php).

*Are There Differences in Ethical Practices
in Nonprofit Organizations?*

On the surface, it would appear that the ethical issues that nonprofit organizations contend with are similar to those of business and government organizations. In many ways, this is indeed true. But it is troubling that what was once seen as a group of ethical organizations are now seen as equally unethical as business and government in general. As Patricia Harned, Ethics Resource Center President, stated: "One would think that freed from the pressure to generate and distribute profits to shareholders, nonprofit organizations would rise high above the myriad ethics and compliance issues that have plagued the public and private sectors over the years. Unfortunately, the 2007 National Nonprofit Ethics Survey . . . paints a very different picture."[10]

We recognize that when using the terms "nonprofit" or "nongovernmental organizations (NGOs)" in this study, such organizations may engage in a wide spectrum of activities, from scientific and professional organizations involved in issues relating to their professional and scientific expertise, to religious and consumer groups, who advocate and work for humanitarian and economic development causes, to special interest groups, whose activist efforts are generally along sociopolitical lines, usually in an adversarial role *vis-à-vis* multinational corporations.[11] This study focuses on the middle range of Sethi's spectrum—those organizations that are engaged in the United States in enhancing culture and the arts or who are charities providing assistance to the economically disadvantaged. Overseas, these organizations are most often found in developing societies and may be engaged in both humanitarian and economic developments that result in interactions with public-sector agencies and governments in these countries. While all of these nonprofit organizations rely on donors for funding, those in the middle range of the spectrum are often *totally* dependent on the goodwill of the donors because they do not sell memberships (as a professional or scientific organization might do), nor can they command the attention of the press to gather support and generate publicity (as many of the activist organizations are capable of doing).

The ethical challenges of dealing with donors were noted by *The Nonprofit Times* when they commented that "nonprofit organizations must deal with issues of ethics on an almost constant basis" and then posed six ethical questions on relationships with donors.[12] While donor relations are a

[10]Ethics Resource Center, *National Nonprofit Ethics Survey*, iv.

[11]S. P. Sethi, S. P., "Changing Rules of International Corporate Behavior," in *Business and Society: Dimensions of Conflict and Cooperation*, ed. S. P. Sethi and C. M. Falbe (Lexington, VA: Lexington Books, 1987), 614; cited in Murray Weidenbaum, "Who Will Guard the Guardians? The Social Responsibility of NGOs," *Journal of Business Ethics* 87 (2009): 147-155.

[12]The Nonprofit Times, "6 Ethical Issues to Discuss Now" (http://www.thenonprofittimes.com/article/detail/6-ethical-issues-to-discuss-now-2613). The six ethical question raised are: (1) "If donors want to make a gift without getting legal counsel, do you accept the gift, advise them to seek counsel, make them sign

key nonprofit issue for this group, major differences between the profit and nonprofit organizations that this study will discuss are the charisma factor, affinity fraud, the use of volunteers, and culturally determined ethics.

The Charisma Factor

Humanitarian nonprofit organizations, especially those that are faith-based, are often idealistic. As a result, they can easily come under the control of dominant personality types, whose emphasis on goals—which may be service oriented—is at odds with mundane issues such as internal controls, solvency, and personnel qualifications. Often the "blessing of the Lord" is seen as sufficient to cover all needs. As a result, the expressed focus of meeting the goals of the organization may overcome good judgment when funds run low or when people without proper training are handling the monies. This can be particularly troubling when some portion of the funding comes from state- or national-government assistance or public-minded organizations such as the United Way. It can also happen when projects are funded to meet situations of extreme need such as disaster-relief projects created at the time of a natural or man-made disaster. These dominant personalities may ask for special favors including, for example, hiring family members (nepotism), personal loans from the organization, or requesting that nonworking spouses be placed on the payroll.[13] When these individuals are highly placed in the organization, saying "no" can be extremely difficult, particularly in instances when the controlling board is also under the influence of a leader's charisma. Finally, some charismatic figures are actually con artists who prey on organizations and their boards in order to effectively operate their scams.

Such was the case with John Bennett of New Era Philanthropy. Between 1989 and 1995, Bennett successfully solicited $400 million from more than 180 United States organizations, including Christian colleges, Ivy League universities, museums, and charities. Bennett's scheme encouraged charitable organizations to give him funds that he promised would be doubled in six months because of matching donations from anonymous donors. Not-for-profit institutions were invited to participate, thus giving them the feeling of being "chosen." In addition, Bennett's reputation for Christian principles and his interest in charitable causes attracted many otherwise savvy business people. But, in fact, his plan was a classic Ponzi scheme. Because there were no

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a form that you have advised them to seek counsel?" (2) "When do you start to feel uncomfortable, and what do you do, [*sic*] when a donor offers you personal gifts?" (3) "What do you [do] when a donor invites you and your family to his vacation home for a weekend, and then offers you unlimited use of the home at any time?" (4) "What do you [do] if a donor invites you to attend a sporting event in a family-owned box, offers you the box as a cultivation tool or offers you free use of it when he will be out of town?" (5) "What do you [do] when a donor wants help revising a will?" (6) "How do you deal with a donor who is no longer competent?"

[13]R. Branson, "The Presidents and Anonymous Donors," *Spectrum* 21/4 (1991): 24-30.

donors with matching funds, Bennett had to offer higher and higher interest rates to new investors in order to attract funds so that the "doubling-your-money" promises could be kept to earlier investors. Eventually, he could not keep up and the scheme collapsed. The fraud happened because "Bennett's charisma, charm, and religious dedication captured the trust and attention of those around him, and he was perceived as a saint with a mission to rescue charities in need of funds. It was this unchallenged public trust that allowed Bennett to perpetuate his massive Ponzi operation."[14]

R. Allen and M. Romney developed principles to avoid falling prey to a charismatic individual:

1. Maintain an attitude of professional skepticism. When something seems too good to be true, it probably isn't true.

2. Investigate what does not make sense. "Where deceit is involved, there are often pieces of evidence that just don't fit together."[15]

3. Beware of trust over reason. Charismatic individuals rely on trust. Bennett, for example, was so successful that even after the news of the scam broke, many of those involved continued to believe in New Era's program and the charity. In the end, however, relying on reason would have been more prudent.

4. Avoid placing faith in other people's faith; don't jump on the bandwagon. Many individuals joined New Era's program because others believed in it and because of the association with Bennett or others in New Era through religious connections. These connections are the basis the perpetrator of the scam relies on. There is no substitute for careful investigation of an investment opportunity.

5. Be wary of limited-time offers or exclusive status. Believing that one has been "chosen" to be a member of an exclusive club is compelling, but not necessarily proof that the organization is worthy of one's time or money.[16]

Affinity Fraud

The concept of "being chosen," known as affinity fraud, occurs when the con artist uses the trust already established by group connections to exploit individuals. A common use of this technique is to secure monies for bogus investment schemes. Because most people do not have the time or resources to research investment opportunities, they are more inclined to believe trusted friends, family, or associates and thus are vulnerable to affinity fraud.[17]

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[14]R. Allen and M. Romney, "Lessons from New Era," *Internal Auditor*, 55/5 (1998): 40-47.

[15]Ibid., 46.

[16]Ibid.

[17]W. M. Sendrow, "Affinity Fraud: The Ultimate Confidence Game," Arizona Corporation Commission Securities Division, 1999 (www.azinvestor.gov/

The most easily exploited groups are those bound by religious beliefs. Often the nature of the religious group, particularly if it views itself as a minority, as does the Seventh-day Adventist Church, leads to distrust of outsiders. Additionally, if groups, such as the Amish or Mennonites, have a history of being persecuted, they can also be an easy target for scams. Because of this intergroup loyalty, scammed members are more likely to attempt to resolve the problem within the group rather than by going to the authorities. This is particularly true in instances in which the scam artist has used group leaders or other highly respected group members to advertise the scheme and enlist the support of other members. As a result, the scam artist goes undetected and thus is free either to escape, expand the list of victims, or cover his or her tracks successfully.

Many of the ways to avoid affinity fraud have been noted in the discussion of the charisma factor, including the necessity for investigating everything, irrespective of how trustworthy the proponent of the investment may seem, and being skeptical, particularly of opportunities that promise spectacular profits or guaranteed returns. The United States Securities and Exchange Commission, in 2006, added two additional points that are often associated with affinity fraud:

1. When the investment details are not reduced to writing, skepticism is the appropriate response. Legitimate investments are usually in writing, but scam artists often indicate that the time pressures required to "get into the opportunity" require oral rather than written information. The unwillingness to put details into writing should serve as a warning sign about the legitimacy of the opportunity.

2. Scam artists are increasingly using the internet to target selected groups. The usual method is through email spams. The United States Securities and Exchange Commission requests that unsolicited email from an unknown person advertising a "can't miss" investment opportunity be forwarded to their office at enforcement@sec.gov.

Examples of scamming abound. For instance, between 1999 and 2004, the Renaissance Asset Fund raised more than $16 million through an affinity-fraud scheme that was focused toward the elderly within various Jehovah's Witnesses congregations. The investors were promised that their investments would earn returns ranging from 10 to 25 percent in as little as four months. The scam artists sent quarterly account statements to the investors, but they were fraudulent, as the Renaissance Asset Fund was actually a Ponzi scheme and earlier investors were paid off with funds raised from later investors. The United States Securities and Exchange Commission litigation release noted that "the majority of investors in Renaissance never received the interest or return of their principal the defendants had promised."[18]

ImportantTopics/Affinity%20Fraud.pdf), accessed 5 January 2010.

[18]U. S. Securities and Exchange Commission, "Affinity Fraud: How to Avoid Investment Scams that Target Groups," (www.sec.gov/investor/pubs/affinity.htm).

Sometimes nonprofit organizations believe they are immune to unethical situations that may arise because of charismatic leaders and/or scam artists who use affinity fraud because they have strong internal controls such as active boards or segregation of duties with respect to assets control. However, active boards and strong internal controls cannot guarantee that an organization will not fall victim, even if these controls may maintain proper accounting procedures and/or may provide some safety and structure within the decision-making process.

Ethical Responsibilities of the Nonprofit Board

In his book, *Managing the Non-Profit Organization*, P. F. Drucker described the task of the nonprofit board as follows:

> To be effective, a nonprofit needs a strong board, but a board that does the board's work. The board not only helps think through the institution's mission, it is the guardian of that mission and makes sure the organization lives up to its basic mission. . . . Over the door to the nonprofit's boardroom there should be an inscription in big letters that says: *membership on this board is not power; it is responsibility*.[19]

In practice, however, many nonprofit boards do not understand "board work." In their discussion of the importance of a board's focus on meeting an organization's needs, K. C. Peisert and C. Lockee note that a board's core activities include investigating and understanding "how the board spends its time, what data it reviews, what questions it asks, if or how it holds management accountable for reaching organizational goals, time spent on strategic discussions, if it can conduct meetings effectively, that is, essentially, adherence to the core fiduciary duties and responsibilities of oversight."[20]

Misunderstanding the work of the board may occur more often in nonprofits because often a nonprofit board is populated with volunteers who, while interested in the work of the organization, may lack an understanding of their responsibilities and their accountability. They may also lack understanding of the necessity for ethical conduct on their part as members of the board, and they may not recognize that the board "sets the tone" for the entire organization. This lack of understanding may lead board members to breach ethical boundaries unknowingly to the embarrassment of themselves and the nonprofit organization.

M. Gibelman and S. R. Gelman identified twenty alleged NGO wrongdoings in the areas of finance and health and humanitarian services between the years 1998-2000. These included fraud, theft, embezzlement, acceptance of bribes, sexual harassment, money laundering, mismanagement, looting of funds, and flawed records. To correct these wrongdoings, they recommend that NGOs should: (1) clarify board responsibilities; (2) establish and maintain internal

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[19]P. F. Drucker, *Managing the Non-Profit Organization* (New York: HarperCollins, 1992), 157-158.

[20]K. C. Piesert and C. Lockee, "Creating a High-performing Board," *Healthcare Executive* 24/6 (2009): 70-71.

controls to eliminate fraud or deception; (3) promote board development by providing systematic and ongoing board training, education, and assessment; and (4) increase management training for the staff.[21]

As noted earlier, the Sarbanes-Oxley Act of 2002 outlined a number of rules that corporate boards now must follow, including rules relating to having a majority of independent directors, independent nominations to the board (rather than management appointments), enhanced audit committee responsibilities, and annual board assessments. Rick Steinberg, founder and principal of Steinberg Governance Advisors Inc., who formerly led PricewaterhouseCoopers's corporate governance practice, noted that "even private companies and nonprofits are focusing on these rules as best practices."[22] Among the rules that strengthen both for-profit and not-for-profit boards, Steinberg recommends: (1) private sessions of the board (without management); (2) establishing "whistleblower" protocols for handling complaints or concerns; (3) prohibiting loans to directors; (4) asking the CEO and CFO to certify financial information and internal controls over financial reporting; (5) establishing an audit committee whose membership includes a financial expert; (6) having the audit committee appoint, compensate, and oversee the external auditor; and (7) engaging the audit committee in resolving disagreements on financial reporting and approving nonaudit services.[23]

Today NGOs have increased in number and power so that they are key players in society. In some overseas situations, an NGO that has experienced rapid growth may have grown so large that the local government may be unable to effectively regulate it. Thus today it is imperative that nonprofits and NGOs pay increasing attention to their ethical responsibilities, particularly as related to their governance.[24] NGOs, whether working domestically or internationally, need to recognize that with this growth comes additional responsibility and accountability if the NGO is to win society's trust. Without that trust, donors will not support the work of the NGO—which effectively will diminish its outreach and contract its mission.

R. Ingram, of BoardSource, lists the following ten responsibilities of nonprofit boards: (1) determine the organization's mission and purpose; (2) select the chief executive, working to find the most qualified individual for the position; (3) support and evaluate the chief executive; (4) ensure effective strategic planning and then assist in implementing and monitoring the plan's

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[21]M. Gibelman and S. R. Gelman, "Very Public Scandals: Nongovernmental Organizations in Trouble," *International Journal of Volunteer and Nonprofit Organizations* 12/1 (2001): 49-66; cited by Wei-Wen Chang, "Expatriate Training in International Nongovernmental Organizations: A Model for Research," *Human Resource Development Review*, 4/4 (2005): 440-461.

[22]S. Heffes, "Have the New Rules Improved Boards?" *Financial Executive* 23/4 (2007): 34.

[23]Ibid., 34-35.

[24]R. Lloyd, *The Role of NGO Self-regulation in Increasing Stakeholder Accountability* (London: One World Trust, 2005).

goals; (5) monitor and strengthen programs and services; (6) ensure adequate financial resources so the organization can fulfill its mission; (7) protect the organization's assets through the development of internal controls and provide proper financial oversight; (8) build a competent board by providing orientation for new members and evaluation of the board's performance; (9) ensure legal and ethical integrity of the organization and its employees through appropriate board oversight; and (10) enhance the organization's public standing by articulating the organization's mission and accomplishments and garnering support from the community.[25]

The Use of Volunteers

As noted above, nonprofit boards may be populated with volunteers. The same can be said for the staff of the nonprofit organization as a whole. Many may be attracted to the religious or humanitarian mission of the nonprofit organization and may become involved in long-term or short-term volunteer activity. S. McCurley and R. Lynch categorize volunteers into eight types: (1) workplace, (2) retiree, (3) alternative sentencing (individuals who volunteer their services rather than pay fines or serve jail time), (4) professional, (5) episodic (individuals who volunteer from event to event in different organizations), (6) transitional (individuals who take part in volunteer activities while changing their lifestyles), (7) unemployed; and (8) stipended.[26]

To maximize volunteers' effectiveness and reduce the chance of ethical lapses, individuals need training and supervision, as their naiveté may lead them to perform tasks inappropriately and/or engage in tasks for which they have no background or understanding even though their intentions are of the highest order. In his analysis of the not-for-profit management standards published by Aenor, a private Spanish organization committed to the development of standardization and certification in all industrial and service sectors, A. Argandona recommends that there be an "orientation process for new volunteers; job descriptions; recruitment based on criteria of effectiveness and efficiency; training (to avoid amateurism) and material means; private health, accident and liability insurance in accordance with the risks of the job; reimbursement of expenses incurred in volunteering; clear differentiation between paid jobs and volunteer jobs; and limited duration of volunteer commitments."[27]

While some volunteers may receive stipends for their work, most will happily serve unpaid since they volunteered because of personal commitment to the organization's mission. Nonprofit organizations depend on such

[25]Richard Ingram, *Ten Basic Responsibilities of Nonprofit Boards*, 2d ed. (Washington, DC: BoardSource, 2009).

[26]S. McCurley and R. Lynch, *Volunteer Management: Mobilizing All the Resources of the Community* (Downers Grove: Heritage Arts, 1997), 6; cited by Wei-Wen Chang, "Expatriate Training in International Nongovernmental Organizations: A Model for Research," *Human Resource Development Review*, 4/4 (2005): 440-461.

[27]A. Argandona, "Ethical Management Systems for Not-for-profit Organizations," *Journal for Business, Economics & Ethics* 10/1 (2009): 140.

volunteer self-sacrifice because of lack of funding for adequate staff. However, such dedication should not be totally unrewarded. The not-for-profit organization should be aware of the rewards that volunteer staff truly value, which are intrinsic in nature and include "involvement, recognition, personal satisfaction, and skill development that can be transferred to other career opportunities."[28] Activities that may provide involvement and recognition include celebrations of volunteers' birthdays, featuring a volunteer in the organization's newsletter, or having a "Volunteer of the Month" program.

Finally, in today's legal climate, volunteers should be screened through an application process and references should be checked. If the volunteer works with children and young people, background criminal checks are required, for instance, in the United States. Also, having a job description in place before hiring a volunteer can assist in matching the individual's skills with the organization's needs and may serve as a memorandum of understanding should problems arise and it becomes necessary for the organization to terminate the volunteer's involvement.

Intercultural Ethical Issues

As discussed, issues relating to charisma and affinity may impact not-for-profits to a greater degree than traditional business organizations. However, church-related not-for-profits and NGOs also face cultural factors that may impact them to a greater degree than for-profits, notwithstanding the impact of globalization on most businesses. In North America, for example, business graduates can expect to work within a framework of diversity, with Anglo, Black, and Hispanic cultures dominating; nevertheless, the cultural norm, even with this diversity, is still the mainstream United States culture. Nonprofit organizations, by way of contrast, typically have an even more diverse workforce and a clientele that is worldwide in scope and complexity.

Cultural differences within and without the organization can lead to significant ethical challenges. As R. R. Sims and E. L. Felton comment, "Ethics emerge out of and reflect the values of culture."[29] Individuals who do not understand the importance of cultural differences may encounter ethical dilemmas or engage in what others see as unethical behavior simply because they are coming from a different paradigm. Because there have been few empirical studies demonstrating this, Y. P. Lopez et al. note the need for further study into the effect of culture on ethical perceptions. They write that "perhaps these differences have a significant impact on how people perceive situations, make decisions, and whether they view scenarios as being ethical or unethical."[30]

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[28]W. W. Chang, "Expatriate Training in International Nongovernmental Organizations: A Model for Research," *Human Resource Development Review*, 4/4 (2005): 448.

[29]R. R. Sims and E. L. Felton Jr., "Designing and Delivering Business Ethics Teaching and Learning," *Journal of Business Ethics* 63 (2006): 301; see also E. L. Felton and R. R. Sims, "Teaching Business Ethics: Targeted Outputs," *Journal of Business Ethics* 60 (2005): 377-391.

[30]Y. P. Lopez, P. L. Rechner, and J. B. Olson-Buchanan, "Shaping Ethical

Without a doubt, the best-known framework for considering cultural differences is the work of Geert Hofstede, whose seminal studies led to the development of his cultural-dimensions theory, which describes five dimensions of cultural differences:

1. *Power Distance*: The degree of inequality among people that the population of a country considers normal.

2. *Individualism versus Collectivism*: In an individualistic culture everyone looks out for himself or herself; the emphasis is on the "I." In a collectivistic culture individuals are integrated into strong, cohesive groups; the emphasis is on the group—"we" instead of "I."

3. *Masculinity versus Femininity*: The extent to which a culture is conducive to dominance, assertiveness, and the acquisition of things versus a culture that is more conducive to people, feelings, and the quality of life.

4. *Uncertainty Avoidance*: The degree to which people in a culture prefer structured over unstructured situations.

5. *Long-term versus Short-term Orientation*: Long-term cultures are value-oriented toward the future such as saving and persistence. Short-term cultures are values-oriented toward the past and present such as respect for tradition and fulfilling social obligations.[31]

These differences may have particular impact on the work of NGOs, which often send people from one culture to another as part of their employment responsibilities. For instance, individuals from a more individualistic culture such as those of the United States and Western Europe may have serious communication difficulties when dealing with those from a more collectivistic culture such as found in India. A supervisor from an individualistic culture typically expects subordinates to give an "honest" report that includes negative information. However, a subordinate with an ingrained collectivistic mind set may be unable to give a bad report directly to a superior and thus responds only with positive information. This leads to an ethical tension in which the individualistic-cultured person perceives the other as dishonest at worst or withholding information at best.

Another example is found in the basic mind-set of a culture. As J. D. Wallace notes, people from the United States tend to be autonomous and risk-takers,[32] stemming from the high-individualism and low uncertainty-avoidance dimensions of those from the United States, as pointed out in Hofstede's study.[33] American autonomy and risk-taking behavior will be seen

Perceptions: An Empirical Assessment of the Influence of Business Education, Culture, and Demographic Factors," *Journal of Business Ethics* 60 (2005): 354-355.

[31]Geert Hofstede, *Culture's Consequences: Comparing Values, Behaviors, Institutions, and Organizations Across Nations*, 2d ed. (Thousand Oaks, CA: Sage, 2001).

[32]J. D. Wallace, "Challenges of Trainers regarding Ethics Training and Adult Trainees" (paper presented at the National Communication Association Annual Conference, Chicago, Illinois, 15 November 2007).

[33]Hofstede.

as unethical by others. Conversely, the American will see the need for constant group assessment and caution as needless barriers to accomplishing tasks.

D. Maranz, who has worked with SIL International in Africa since 1975, described three common cultural misunderstandings in *African Friends and Money Matters*.[34] First, in a collectivistic society, people are rewarded for working together and the valued qualities are solidarity, generosity, and acceptance. Financial resources are viewed as "ours" or "mine," but not "yours." Thus the individual's financial need will take precedence over all other considerations, including others' resources or desires (such as the donor's wishes or expectations).Maranz illustrates this group orientation by noting the experience of three single men renting an apartment together. Their plan was to give funds each month to one of the men so he could pay the electricity bill. On the described occasion, however, the fund-collector had a personal bill that needed to be paid before the due date for the electric bill so he used the money he had collected from the others to pay his personal bill. He expected one of his friends to pay him what was due him before the electric bill came due, but the friend did not pay. The electric bill came due, but could not be paid because the collected money had been spent and the electricity was cut off. The apartment mates did not consider their colleague to be either irresponsible or dishonest. In their culture, his financial need took precedence over their expectations and his financial need had first claim on the available resources.

Similar stories, told by employees of the Adventist Development and Relief Agency, reflect this ethical tension between an individualistic donor country and a collectivistic project. Funds are at times used for purposes other than those designated by the donor, such as vehicles purchased with funds initially sent for school buildings or wells. Stories are also told of the mysterious disappearance of funds left over after a project is completed.[35] However, when an NGO is operating within a collectivistic environment in which need has first claim, the fact that a truck is immediately needed more than a roof on the school building means it is quite appropriate to purchase the truck. In cases in which money appears to disappear (i.e., used for expenses which are not disclosed), the answer would be that there were other financial needs that required the funds. In the collectivistic culture, the fact that the wishes of the donor were not followed is not an ethical concern.

However, these situations are of great ethical concern to donors who are from an individualistic society (that is, generally Western culture). In Western cultures, the donor designates how the resources are to be used and expects those designations to be followed. The response of such donors when the designated project is not benefited is often to refuse to donate further, thus cutting off both present and future funding.

[34]D. Maranz, *African Friends and Money Matters* (Dallas: SIL International, 2001), 37.

[35]A. M. Gibson, personal files, Adventist Development Relief Agency students' papers prepared for "Financial Statement Analysis" classes taught in the Andrews University's MSA in International Development program in Florence, Italy, 2008, 2004.

Second, a short-term-oriented culture focuses on immediate needs, which often means that resources must be used immediately rather than saved for the future, which also changes the expectations for success. In a long-term-focused culture, success is measured by the long-term effects of the project. In a short-term-focused culture, long-term success is not necessary for the project to have met its goals. For example, an international-aid organization gave an African friend of Maranz seed money to establish a chicken business. The man had no experience in raising chickens, so he kept the baby chickens in the bedroom he rented. As the chickens grew, they required more and more food, so he asked Maranz for a loan to buy food for the chickens, promising to repay the loan when the chickens were sold. Some of the chickens died and some he ate, but when the rest were grown, he gave some to the woman who made his meals, some to other people to pay off his outstanding debts, and some he sold. But he did not make enough money to pay back the loan for the chicken's food, and he did not have sufficient funds to buy more chicks. However, he considered the project to be a total success, as he had had a job for a few months and had been able to pay off some of his debts, while at the same time having chicken to eat. The international aid organization, however, measured success in terms of the establishment of a chicken farm with long-term sustainability.[36]

Finally, within a collectivistic society, the financial questions and accountability expectations that are common in an individualistic society cannot readily be expected. This has a direct effect on donor expectations for recordkeeping and reporting. Individualistic culture, particularly as developed in the West, is based on the Protestant tradition of free will, free choice, and accountability. As a result, these cultures see precision as essential in accounting. Westerners believe that in situations in which accounting and accountability are not practiced, individuals may be charged unfairly with accusations of mishandling of funds or theft. Only careful accounting can save the reputation of the innocent. In addition, dishonest people are less able to abuse their access to funds if the accounting system is designed to catch theft or misappropriation through good internal control.

In a collectivistic culture, however, accounting precision shows that there is mistrust because if one demands an exact accounting, one clearly does not have confidence in the individual who had access to the funds or who borrowed money. Because social harmony is a highly valued goal, the unpleasantness and tension which the demanding of exact accounting will bring is to be avoided at all costs. NGOs based in individualistic cultures should be open and honest about the differences in accounting perceptions and seek to harmonize these differences while still meeting the needs of each.

The lack of accounting in collectivistic cultures extends beyond recordkeeping issues. There is also no requirement that the records be opened to others for scrutiny. One African organization had Western-style accounting procedures in place,[37] but when the business meetings in which the reports

[36]Maranz, 150.

[37]Ibid., 40-41.

were made took place, no members queried the officers or their reports in any meaningful way. The Africans present were reluctant to ask any questions about the reports or how the finances had been handled, lest the officers be offended. To ask questions would be seen as bringing the organization under suspicion or showing lack of confidence in their performance and honesty.

In contrast, in an individualistic culture, a lack of questions raises suspicions. Westerners believe that officers of organizations should insist on the opportunity to account for the resources under their care and thereby "prove" that they are honest. To be unwilling to give a careful and full report is seen as an attempt to "cover up" and, perhaps, even to be evidence of dishonesty.

It may be tempting when working outside of one's culture to assume that those who perceive the situation or others' actions differently than you do are in fact unethical, but such a presumption leads to serious misunderstandings. Thus when engaged in cross-cultural situations, listening before speaking and refraining from judgment until one has gained understanding are the wisest courses of action.

Conclusion: The Need for Effective Board Control

Traditionally not-for-profit organizations choose management and staff from among those who resonate with the "mission" and goals of the organization. They also rely on donor networks to fund their activities and to guide their financial transactions, including investment choices. But today, not-for-profits are growing rapidly in terms of total assets and of global influence.

At the present time, most governmental regulations (such as Sarbanes-Oxley) do not focus on not-for-profits or NGOs. However, the growth of nonprofits and particularly NGOs is funded through major donors and publicly solicited contributions. Thus it is increasingly imperative for not-for-profit organizations to *control themselves and ensure ethical behavior* through strong boards and a thorough understanding of the environments in which they work.

Not-for-profit boards need to carefully select management so that a charismatic individual does not have the opportunity to overrule organizational policies and practices. If the not-for-profit is religiously based or works within established group connections, it needs to be aware of the danger of affinity fraud. Employment practices, including those of volunteers, should be carefully monitored to avoid situations in which dedicated but untrained staff make decisions that contradict the ethics of the organization. Finally, when the not-for-profit or NGO moves outside of its home culture, care must be taken to avoid unethical practices that are truly unethical, while at the same time recognizing that cultural differences are not necessarily the same as unethical activities. Not-for-profits and NGOs have moved into the organizational category traditionally known as "large organizations." With this growth comes the opportunity for positive influence and action that will make a difference in today's world.